

India Infrastructure Sector Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The India Infrastructure Sector Market is anticipated to register a CAGR of more than 8.2% over the forecast period.

Key Highlights

The backbone of the Indian economy, the infrastructure sector, is essential to improving the nation's overall development. Other industry sub-segments include telephony, power, roads, ports, etc. India has to enhance its infrastructure to reach its 2025 economic growth target of USD 5 trillion. The National Infrastructure Pipeline (NIP), along with other initiatives like "Make in India" and the production-linked incentives (PLI) program, was launched by the government to promote the expansion of the infrastructure industry. Historically, more than 80% of the money spent on infrastructure in the country has gone into expenditures related to transportation, electricity, water, and irrigation. Significant infrastructure development requires a substantial inflow of investor funds.

By 2022, India is anticipated to overtake China as the third-largest building market in the world, according to the India Brand Equity Foundation (IBEF). By 2022, India will need infrastructure investments of Rs. Fifty trillion (USD 777.73 billion) for the country to develop sustainably. India, the US, Israel, and the UAE launched a new quadrilateral economic forum in November 2021 to concentrate on regional infrastructure development initiatives and boost bilateral cooperation.

With the introduction of the "Infrastructure for Resilient Island States" program in November 2021, India will have a significant opportunity to improve the lives of other vulnerable nations around the globe. Government plans to invest about INR 102 lakh crore in infrastructure projects by 2024-25. The five-year-long National Infrastructure Pipeline (NIP) will enter its second year in FY21, during which INR 1,950,397 crores will be invested. About INR 19.5 lakh crore has been budgeted during FY21 as part of the NIP.

Urban infrastructure, road transport, energy, and Railways account for about 70% of the allocation this 2020. About 42% of the projects in the NIP are under implementation, which means construction work is already going on. Another 19% is under the

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development stage, while a significant 31% is still in the conceptual stage. During the fiscals 2020 to 2025, sectors such as Energy (24%), Roads (19%), Urban (16%), and Railways (13%) amount to around 70% of the projected capital expenditure in infrastructure in India.

India Infrastructure Sector Market Trends

Increase in road infrastructure investment to propel the market growth

According to the Economic Survey 2021-22, the country's road network has grown significantly in the current fiscal year compared to prior ones. According to the report, since 2013-14, there has been a steady rise in the building of national highways and roads. In 2020-21, 13,327 km of roads will be built, compared to 10,237 km in 2019-20, representing an increase of 30.2% over the previous year. 3,824 km of new roads were built in 2021-2022 (up till September).

With a total length of 5.89 million kilometers, India has the second-largest road network in the world. 90% of India's total passenger traffic uses the road network for travel, and it moves 64.5% of all the commodities in the nation. Road travel has gradually increased as the country's cities, towns, and villages become more connected. The sale of autos and freight transportation by road is expanding quickly in India.

By 2022, the government plans to build 65,000 km of national highways for Rs. 5.35 lakh crore (USD 741.51 billion). Road construction in Andhra Pradesh will cost USD 296.05 million. The Indian government has planned to build highways reaching 313 kilometers for Rs. 11,000 crores to overhaul the road infrastructure in Punjab, Haryana, and Rajasthan. As of March 2022, the transfer from the National Investment Fund (NIF) was pegged at Rs. 20,000 crores (USD 2.61 billion).

The Ministry of Road Transport and Highways has been given almost INR 68,000 crore more in funding for 2022-23 than was initially planned for 2021-22. Of all the ministries in 2022-2023, this is the ministry with the most significant rise in absolute terms (from the updated estimates of 2021-22). This extra funding has been allocated towards NHAI investments almost entirely. After several years, NHAI won't need to borrow any money and will only use funds from the budget. The overall debt owed by NHAI as of November 2021 was INR 3.38 lakh crore. This is around 150 per cent more than what will be given to NHAI in 2022-2023.

Increase in FDI to drive the infrastructure market in India

The Financial Year 2021-2022 had the biggest yearly FDI inflow of USD 83.57 billion to India. In comparison to the greatest annual FDI inflow ever reported during the financial year 2021-22, which exceeded last year's FDI by USD 1.60 billion despite the military action in Ukraine and COVID-19 pandemic, India's FDI inflow in 2014-2015 was just USD 45.15 billion. Since FY03-04, when FDI inflows totalled just USD 4.3 billion, India has experienced a 20-fold rise in FDI inflows.

Additionally, India is quickly becoming a favoured destination for foreign manufacturing investments. When compared to the prior FY 2020-21, FDI equity inflow into the manufacturing sector surged by 76% in FY 2021-22 (USD 21.34 billion). The patterns in foreign direct investment into India shown below confirm that it is a popular choice among international investors. It should be noted that the FDI inflow reported before Covid (February 2018 to February 2020: USD 141.10 billion) has increased by 23% post-Covid (March 2020 to March 2022: USD 171.84 billion).

For the fiscal year 2021-2022, "Singapore" is at the top of the list of top investor countries for FDI Equity inflow, followed by the United States (18%) and Mauritius (16%). Computer Software & Hardware have emerged as the main recipient sector of FDI Equity inflow for FY 2021-22 with a share of around 25%, followed by the Services Sector (12%) and the Automobile Industry (12%), respectively. Karnataka (53%), Delhi (17%), and Maharashtra (17%) are the top recipient states of FDI equity inflow in the

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sector "Computer Software & Hardware" in the fiscal years 2021-22. With a 38% share of the overall FDI equity inflow reported during the FY 2021-22, Karnataka is the leading receiving state, followed by Maharashtra (26%) and Delhi (14%).

Multilateral institution Asian Development Bank (ADB) announced a USD 100 million in funding for the Indian infrastructure sector through the government-promoted NIIF. Foreign investments are crucial for India as the country for overhauling its infrastructure sector such as ports, airports, and highways to boost growth. Infrastructure is one of the sectors which gets the highest foreign direct investment (FDI). Inflows in the verticals such as townships, construction development projects, and housing were recorded at USD 25.5 billion between FY00 and FY19. Schemes such as 'Housing for all' and 'Smart Cities Mission' have benefitted from these investments. Saudi Arabia is looking to make investments in India potentially worth USD 100 billion in the areas of energy, refining, petrochemicals, infrastructure, agriculture, minerals, and mining.

India Infrastructure Sector Market Competitor Analysis

The India Infrastructure Sector Market is less competitive and partially fragmented, with major local and international players. Key players in the market are Larsen & Toubro Limited, Tata Projects Ltd, Hindustan Construction Co. Ltd, Simplex Infrastructures Ltd, Jaiprakash Associates Ltd, and many others. The Indonesian construction market presents opportunities for growth during the forecast period, which is expected to drive market competition. The market is fragmented, as many new entrants focus on bagging projects to strengthen their positions among the market's key players.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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